USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/3/2005
GAIN Report Number: SF5006

South Africa, Republic of

Grain and Feed

Monthly Update

2005

Approved by:
Scott Reynolds
U.S. Embassy, South Africa

Prepared by:
Herman Germishuis

Report Highlights:
South Africa's 2004 corn crop is estimated at 11 million metric tons, 13.3% better than the previous crop. Coupled with 3 million tons of carry in stocks it means a massive oversupply of white corn. This has led to panic in the market and a dramatic drop in producer prices. Regional export prospects are limited and prices will have to drop even further to make overseas exports possible. Wheat imports continue at a strong pace.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

South Africa's corn crop planted in 2004 and currently maturing is estimated at 11 million tons, 13.3% bigger than the crop planted in 2003. The area planted increased by only 4.3% to 3.343 million hectares implying that the average yield is expected to increase. A recent field trip through the summer rainfall grain areas confirmed the favorable conditions in spite of a late start to the rainfall season.

The good crop prospects are reflected in the producer prices as shown by SAFEX. The March 2005 white corn price dropped from R1, 071/ton on November 1, 2004 to R489/ton on March 1, 2005, or by 54.3%. The price drop is the cumulative effect of the favorable crop prospects and the big carry over which is expected to reach about 3 million tons by May 1, 2005. With total annual consumption about 8.8 million tons, the oversupply situation is clear. Exports have also been disappointing but the lower prices should stimulate sales. The price needs to drop below R400/ton to make overseas sales possible. The strong Rand is complicating matters.

US$1 = Rand 5.8 (03/01/05)

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org
www.weathersa.co.za
www.sadc-fanr.org.zw

CORN

PSD Table

Country	**South Africa**					
Commodity	**Corn**					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		05/2004		05/2005		05/2006
Area Harvested	3300	3205	3500	3343	0	3100
Beginning Stocks	2443	2420	2943	2980	3193	4530
Production	9700	9710	9700	11000	0	9000
TOTAL Mkt. Yr. Imports	300	210	250	150	0	100
Oct-Sep Imports	495	553	200	150	0	100
Oct-Sep Import U.S.	61	62	0	10	0	0
TOTAL SUPPLY	12443	12340	12893	14130	3193	13630
TOTAL Mkt. Yr. Exports	800	720	1000	800	0	850
Oct-Sep Exports	797	449	1000	500	0	600
Feed Dom. Consumption	4100	4025	4100	4050	0	4075
TOTAL Dom. Consumption	8700	8640	8700	8800	0	8750
Ending Stocks	2943	2980	3193	4530	0	4030
TOTAL DISTRIBUTION	12443	12340	12893	14130	0	13630

Production

The South African national crop estimates committee released its first official estimate of the 2004 (year of planting) summer crops on February 21, 2005. The total corn crop was estimated at 10.5 million metric tons compared to the 9.7 million tons for the 2003 crop, an increase of 8.3%. The total area planted to corn was estimated at 3.343 million ha, up 4.3% on the 3.2 million ha. planted in 2003.
The following table contains the details:

	2003 area planted, ha.	Yield MT/ha	2003 crop MT	2004 area planted, ha.	Yield MT/ha	2004 first crop estimate, MT
Commercial						
White corn	1,842,000	3.15	5,805,000	1,845,000	3.29	6,064,000
Yellow	1,001,300	3.67	3,677,000	1,084,500	3.87	4,194,400
Total	2,843,300	3.33	9,482,000	2,929,500	3.50	10,258,900
Developing						
White	281,890	0.61	170,890	324,960	0.60	196,050
Yellow	78,920	0.72	57,180	88,480	0.70	61,050
Total	360,810	0.63	228,070	413,440	0.62	257,100
Total corn						
White	2,123,890	2.81	5,975,890	2,169,960	2.88	6,260,050
Yellow	1,080,220	3.46	3,734,180	1,172,980	3.63	4,255,450
TOTAL	3,240,110	3.00	9,710,070	3,342,940	3.15	10,516,000

This reporter and a representative from PECAD recently made an extensive tour through the summer grain production areas. Despite the late start to the rainfall season in some areas, conditions were favorable in all areas with the bulk of the crop in the Eastern areas maturing. In the western areas there were still some young plants, but soil moisture is high and the crop should make it with only one or two more showers. The crop looks better than the 2003 crop surveyed at the same time last year and better than anything seen in many years of crop assessment. Taking the reported 3% increase in area planted into account, and although the official estimate implies that the average yield on commercial farms, at 3.5 MT/ha. will be about 5% better than last season, FAS Pretoria is convinced that the final yield will be about 10% better than in 2003. Thus increasing from 3.3 tons/ha. to about 3.7 tons/ha, a new record (the best recent yield was the 1999 crop which averaged 3.4 mt/ha.) This pushes total commercial production to 10.74 million tons and total production to about 11 million tons, as shown in the following table:

Crop estimate, AgPretoria revision;

	2003 area planted,	Yield	2003 crop MT	2004 area planted,	Yield	2004 crop estimate,
Commercial	‘000 ha.	MT/ha	‘000 MT	‘000 MT	MT/ha	‘000 MT
White corn	1,842	3.15	5,805	1,845	3.42	6,304
Yellow	1,001	3.67	3,677	1,085	4.09	4,439
Total	2,843	3.33	9,482	2,930	3.66	10,743
Developing						
White	282	0.61	171	325	0.60	196
Yellow	79	0.72	57	88	0.70	61
Total	361	0.63	228	413	0.62	257
Total corn						
White	2,124	2.81	5,976	2,170	3.00	6,500
Yellow	1,080	3.46	3,734	1,173	3.84	4,500
TOTAL	3,240	3.00	9,710	3,343	3.30	11,000

The following table compares the 2004 commercial crop estimate and the 2005 forecast with the 1999/2003 five year average situation. The area planted to the 2005 crop later this year is likely to decline as the current price shock works through.

Commercial crop	Area	Yield	Production
	‘000 hectares	Mt./ha.	‘000 mt.
FAS 99/03 average			
White corn	1900	3.0	5800
Yellow corn	1100	3.4	3700
Total	3000	3.2	9500
FAS 2004 - Pretoria estimate			
White	1845	3.4	6304
Yellow	1085	4.1	4439
Total	2930	3.7	10743
FAS 2005 forecast			
White	1750	3.0	5250
Yellow	1050	3.4	3550
Total	2800	3.1	8800

The area planted to corn has been cut back by about a third since the market deregulation of the industry in the late nineties. The total area planted to corn (including developing areas) still exceeded 5 million hectares in 1986 compared to this year's 3.3 million hectares. Most of the cutback in corn area was due to conversion back to grazing supported by the government during the late eighties. Alternate crops are planted on much smaller acreages than the corn crop. The area planted to the various annual crops on commercial farms in the summer rainfall grain area is compared in the following table:

Area planted	2003, hectares	2004, hectares	% Change
Corn, white	1,842,000	1,845,000	+0.2%
yellow	1,001,300	1,084,500	+8.3%
Total	2,843,300	2,929,500	+3.0%
Sorghum	130,000	108,200	-16.8%
Peanuts	71,500	42,800	-40.1%
Sunflower	530,000	507,100	-4.3%
Soybeans	135,000	146,640	+8.6%
Dry beans	56,200	49,300	-12.3%
Free State wheat	320,000	350,000	+9.4%
TOTAL:	4,086,000	4,133,540	+11.6%

Corn still takes up about 70% of the available land but only increased its area by 3% or 86,200 hectares this season. The other crops show major variations in the area planted with the result that the total area planted increased by 11.6% or 47,540 hectares.

Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution. To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then added to the new season's deliveries and deducted from the May 1 carry over. Imports for re-exports, and the relevant stocks, are incorporated in the figures. The latest commercial PS&D's are summarized below:

FAS 2003 estimate	My May 04/April 05	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
Adjusted crop est.	5805	3675	9480
Farm retentions	110	300	410
Delivery forecast	5695	3375	9070
Imports	0	210	210
Total supply	7725	3975	11700
Exports	650	70	720
Dom. Consumption	4500	3500	8000
Ending stocks	2575	405	2980

FAS 2004 Forecast	MY May05/April 06	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	2575	405	2980
Comm.crop	6304	4439	10743
Farm retentions	104	339	443
Delivery forecast	6200	4100	10300
Imports	0	150	150
Total supply	8775	4655	13430
Exports	750	50	800
Dom. Consumption	4550	3550	8100
Ending stocks	3475	1055	4530

FAS 2005 forecast	MY May06/April 07	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	3475	1055	4530
Comm. crop	5250	3550	8800
Farm retentions	100	300	400
Delivery forecast	5150	3250	8400
Imports	0	100	100
Total supply	8625	4405	13030
Exports	800	50	850
Dom. Consumption	4575	3575	8150
Ending stocks	3250	780	4030

Prices

Local producer prices peaked at the end of November 2004 when it was still dry but have been dropping since the onset of the rains. Dollar prices declined in line with local prices and the weakening Dollar.

Futures prices	March 2005	May 2005	July 2005	September 05
White corn/mt.				
11/01/04	R1071=$175.6	R1089=$178.5	R1100=$180.3	
11/29/04	R976=$166.8	R993=$169.7	R1009=$172.5	
12/28/04	R749=$131.4	R771=$135.3	R784=$137.5	
01/25/05	R551=$ 91.8	R580=$ 96.7	R603=$100.5	R624=$104.0
03/01/05	R489=$ 84.3	R513=$ 88.4	R538=$ 92.8	R557=$ 96.0
Yellow/mt.				
11/01/04	R1041=$170.7	R1005=$164.8	R1010=$165.6	
11/29/04	R927=$159.0	R912=$155.9	R930=$159.0	
12/28/04	R791=$138.8	R804=$141.0	R797=$139.8	
01/25/05	R639=$106.5	R649=$108.2	R646=$107.7	R675=$112.5
03/01/05		R583=$100.5	R600=$103.4	R621=$107.0

As the surplus is mainly in white corn, current white corn prices are about 23.5% lower than yellow corn prices. The March white corn price is still R489/ton but this will have to drop to about R395/ton (export parity) before overseas exports become viable.

Trade

Exports	01/29-02/05	02/05-02/11	02/12-02/18	02/19-02/25	Season to date
White corn					May 1,04-Feb. 25,05
Angola					23545
Botswana	2081	2419	1701	2006	86083
Congo					216
Kenya					120966
Lesotho	1364	924	5012	5896	94825
Mozambique	1891	965	964	1520	27537
Namibia	3228	2541	1424	1868	21702
Swaziland	1267	503	1086	488	11610
Zimbabwe	11830	6014	5191	7778	136097
Madagascar					2382
Total	21661	13366	15378	19556	524963
Yellow					
Angola				215	215
Botswana	297		34		7687
Lesotho					4204
Mozambique				480	4436
Namibia	44	439	348	55	10885
Swaziland	1016	528	1021	379	22971
Zimbabwe					96
Total	1357	967	1403		50494
Imports					
White					
Malawi					724
Yellow					
Argentina					191848
USA					15508
Total					207356

As can be seen from the table above South Africa is mainly exporting white and yellow corn to its Customs Union partners, Botswana, Lesotho, Namibia and Swaziland (260,000 tons to date this season). Mozambique is another traditional destination (32,000tons) while Zimbabwe (136,000 tons) and Kenya (121,000 tons) were marketing opportunities that developed this season. Zimbabwe, although limited by foreign exchange constraints, will probably continue to be a market for the foreseeable future (See RH5001, Zimbabwe Grain and Feed update). South Africa has thus failed to breach the international market over the past few years mainly limited by the strong SA Rand. International sales outside Africa are not expected before the domestic prices drop another R94/ton (US$16/ton).

Stocks

The most notable feature of the PS&D is the increased carry over stocks. This grew from about 2 million tons at the end of April 2003 to 2.4 million tons in 2004 and an expected 3 million tons in 2005. If current trends continue, the carry over could reach 4.5 million tons in 2006 if no alternative markets can be found. For clarity, we only count old season stocks at the end of the marketing year.

WHEAT

PSD Table

Country	**South Africa**					
Commodity	**Wheat**					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2003		10/2004		10/2005
Area Harvested	748	748	850	829	0	800
Beginning Stocks	898	897	596	614	486	313
Production	1540	1540	1800	1699	0	1750
TOTAL Mkt. Yr. Imports	1278	1278	1100	1100	0	1150
Jul-Jun Imports	911	837	1100	850	0	850
Jul-Jun Import U.S.	488	414	0	200	0	250
TOTAL SUPPLY	3716	3715	3496	3413	486	3213
TOTAL Mkt. Yr. Exports	379	379	350	375	0	380
Jul-Jun Exports	356	320	350	350	0	350
Feed Dom. Consumption	10	30	10	30	0	30
TOTAL Dom. Consumption	2741	2722	2660	2725	0	2730
Ending Stocks	596	614	486	313	0	103
TOTAL DISTRIBUTION	3716	3715	3496	3413	0	3213

Production

The final estimate of the 2004 wheat crop is about 1.7 million tons, well up on the 1.54 million tons produced in 2003. This is still short of domestic consumption needs of about 2.7 million tons necessitating imports of about 1.1 million tons. The drought in the Western Cape is persisting but it is a winter rainfall area and the rains should resume from May.

Trade

The following table contains trade details from October 1, 2004 to February 25,2005.

Wheat; Imports	For Africa MT	For South Africa MT	Total MT
Argentina	46,790	296,569	343,359
USA	24,937	98,288	123,225
Australia		49,778	49,778
UK		27,586	27,586
Germany		27,282	27,282
Total	71,727	499,503	571,230
Wheat; Exports			
Botswana	29,714		
Lesotho	40,531		
Namibia	5,091		
Swaziland	11,768		
Zambia	18,358		
Zimbabwe	37,127		
	142,589		